



Independent Director Definition

"Independent Director" as defined by the Nonprofit Revitalization Act (NPRA) and clarified in later amendments is defined as a director who meets ALL of the following **employment** and **compensation** criteria:

- Is **not**, and has not been within the last three years, an employee or affiliate of the corporation and does not have a relative who is, or has been within the last three years, a key person or affiliate of the corporation
- Has **not** received, and does not have a relative who has received, in any of the last three fiscal years, more than \$10,000 in direct compensation from the corporation or an affiliate of the corporation (other than reimbursement for expenses reasonably incurred as a director)
- Is **not** a current employee of or does not have a substantial financial interest in, and does not have a relative who is a current officer or has a *substantial financial interest* in, any entity that has:
 - Made payments (non-charitable contributions) to the corporation which exceed the \$25,000 or 2% of such entities consolidated gross revenues (whichever is less) within the last three fiscal years
 - Received payments (non-charitable contributions) from the corporation which exceed the \$25,000 or 2% of such entities consolidated gross revenues (whichever is less) within the last three fiscal years
- Is **not** and does not have a relative who is current owner, whether fully or partially, director, officer, or employee of the corporations outside auditor or who has worked on the corporation's audit at any time within the last three fiscal years

In the case of entities that receive payments from, or make payments to, a corporation subject to the NPRA, a director may still be independent even if they are employed by, or has a financial interest in, the other entity if the amount paid or received during *each* of the last three fiscal is:

- Less than \$10,000 or 2% of the entity's consolidated gross revenues and the amount of such gross revenues is less than \$500,000 OR
- Not in excess of \$25,000 if the entity has a consolidated gross revenues are between \$500,000 to \$10,000,000 OR
- Not in excess of \$100,000 if the entity has a consolidated gross revenue above \$10,000,000